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UNCLAS SECTION 01 OF 02 BRASILIA 000239

SIPDIS

STATE FOR WHA/BSC, EB/TPP/MTA/IPC:SWILSON
STATE PASS TO USTR FOR SCRININ, LYANG AND BPECK
USDOC FOR
4322/ITA/MAC/WH/OLAC/WBASTIAN/JANDERSEN/DMCDO UGALL/DRISCOLL
USDOC FOR 3134/USFCS/OIO/EOLSON/DDEVITO
NCS FOR DEMPSEY

E.O. 12958: N/A

TAGS: [KIPR](#) [KCRM](#) [PGOV](#) [ECON](#) [BR](#) [IPR](#)

SUBJECT: Brazil Copyright Piracy: "ISTO E DINHEIRO"
ARTICLE ON NEW LOW-COST CD

REF: 04 BRASILIA 2557

[1](#)1. The January 26 "Isto E Dinheiro" article set forth in paragraph 2 (below) describes a low-cost CD alternative that its inventor hopes will put Brazilian piracy out of business.

[1](#)2. Begin Unofficial Embassy Translation

Headline: Ralf, the Saviour?

A low-cost CD with only three tracks and cardboard cover. That's how country singer Ralf promises to end the pirates' party.

Brazil was once the sixth largest phonographic market in the world. Now it's in 12th place. In the last three years, two thousand points of sale for CD's were closed, half of the jobs directly linked to the music industry disappeared and, in 2004 alone, the damages to the sector reached US\$250 million. The villain in this story can be found on almost every corner: the CD pirate, who sells 60% of the CD's sold in the country. That's the version told by the recording companies who won't admit that charging 30 Reals for a CD has something to do with the problem. In any case, Ralf, of the duo Chrystian & Ralf, says he has the solution. He invented the SMD (Semi Metallic Disc), an alternative to the conventional CD that plays on any equipment and is cheaper than the pirated version. "I would be very proud to arrive in the USA and tell them that a Brazilian put an end to piracy", said the father of the idea.

Ralf already invested 3 million Reals in the project. The secret of the low cost of the SMD, which will be sold at 4

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Reals, is in the number of songs "injected" and the packaging. He stores from three to seven tracks (why have more if people buy a CD because of a hit they hear on a soap or the radio?) and that's why the metal part of the disc is smaller. What's left over is a plastic circumference where the technical information of the work is printed. In this way, the insert can be eliminated as well as the plastic box, substituted by a cardboard cover with the words to the music and artist's photo.

"No one buys pirated products because they like to. The only way to compete with pirates is with price", said Cristina Monteiro, director of producer Radio Media System, who bought the license to manage the SMD patent for ten years. The new CD isn't equipped with a security system that prevents production of homemade copies. "But it's not worth it, because it's cheaper than the pirated version without being pirated and has the quality of an original CD. Besides, the price is printed on the cover so the vendor can't increase the price," said the executive.

The first artists launched will be country duos Marcelo & Gabriel and, of course, Chrystian & Ralf. Afterwards, other styles, like rap and gospel music, will follow. There are also SMDV (film storage) and SMDG (games) projects. Expectations couldn't be more optimistic. Cristina forecasts that by 2008 the SMD will capture 40% of the national market. And that piracy will fall to 20%.

End Unofficial Embassy translation.

[1](#)3. Comment. While the SMD may offer an interesting vehicle for delivering low-cost music to the economically disadvantaged - which are a large portion of Brazil's population given the country's 30 percent urban poverty rate - it's questionable that the mainstream music market will embrace the three track per disc limit, among other features. However, pricing, as providing an incentive to purchase pirated goods, is a topic Brazil's new National Council to Combat Piracy and Intellectual Property Crimes is expected to discuss in coming days.

